

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING PROCEDURE

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| TOPIC: Institution Accounting 1.0 | EFFECTIVE DATE: 3/17/86 |
| TITLE: Procedures for Contingent Accounts | REVISION DATE: 10/31/92 |
| AUTHORIZED BY: Cheryl Thompson, Deputy Director | PAGE 1 OF 8 |

POLICY

The establishment and use of a contingent account is not to be viewed by an agency as an alternative to the established Department of Administration (DOA) and State Treasury check writing authority. These accounts only complement the primary DOA/State Treasury disbursement procedures. Contingent accounts are to be used with proper discretion and only in the limited circumstances defined by these policy guidelines.

Requests from divisions and institutions will be considered upon satisfaction that adequate internal controls and cash management practices are in place in the Business Office. Requests for contingent accounts should be made to the Assistant Director, Bureau of Fiscal Services (BFS).

DEFINITIONS

1. **Contingent Fund**--For each state agency, one contingent fund will be authorized under the authority granted in s. 20.920. The Assistant Director, Bureau of Fiscal Services, is the Department's Contingent Fund Custodian.
2. **Contingent Account**--An allocated division of a contingent fund at a separate location under the jurisdiction of the agency to which the contingent fund has been authorized. Contingent accounts must be deposited in a public depository approved by the Depository Selection Board.

The individual responsible for the contingent account at the division or institution is the Contingent Account Manager.

3. **Petty Cash Account**--A sub-level account established from a contingent fund with the approval of the Department of Administration by the authority granted in s. 16.52 (7). Such accounts will be cash-on-hand only, held in a specified location. Such accounts will be used to pay miscellaneous office supplies and expenses, and shall be no greater in amount than \$350 per account.

4. **Change Accounts**--A sub-level petty cash account established from a contingent fund with the approval of the Department of Administration under the authority granted in s. 16.52 (7). Change accounts will be cash-on-hand only, held in a specified location; will be used only for the purpose of making change to facilitate agency business operations related to the collection of fees, licenses, goods and services; and will be no greater in amount than \$500 per account, unless otherwise authorized.

PROHIBITED USE OF CONTINGENT ACCOUNTS

Contingent accounts may NOT be used to make payments for:

- Employee salaries, salary-related fringe benefits, tax withholding, or personal deductions.
- Local assistance payments.
- Aids to individuals and organizations.
- Debt services.
- Internal service center payments or internal transfers between appropriations or agencies.
- No payment of any type may exceed \$500, (including utilities).
- No checks will be cashed from any contingent account monies including petty cash accounts or change accounts.

CONTINGENT ACCOUNT OPERATIONS

1. **Control Procedures.** Elements of the following basic controls are to be in effect:
 - a. **Authorization.** All disbursements must be authorized in accordance with the normal payment approval procedures of the organization. All payments must be approved by an authorized individual other than the person writing the check. Any variation in this requirement requires specific approval of the Assistant Director of the Bureau of Fiscal Services. This approval, if granted, will be confirmed in writing to the requestor. This documentation should be retained with contingent account records.
 - b. **Restricted Access.** Access to records and assets should be restricted to prevent unauthorized entries to the records or loss of assets.
 - c. **Reconciliation.** All bank accounts will be reconciled monthly. The reconciliation shall include reconciling the bank balance plus any vouchers not yet reimbursed, any checks that have not been vouchered and any applicable cash funds to the total dollar amount of the contingent account. The number of checks issued and the number of times the account was replenished should be kept for the quarterly reports.

- d. **Supervision.** The system and individuals performing the procedures should be properly supervised. The reconciliation or review of the reconciliation should be made by someone independent of the contingent account operations. If reconciliations are done by the contingent account manager, the reconciliation should be done by some independent party, periodically but at least annually.
 - e. **Written Procedures.** Each division or institution manager will ensure that adequate written procedures are in place and available for inspection.
2. **Authorized Use of Contingent Accounts.** Contingent accounts may, but are not required to, be used to make payments under four circumstances (in all cases, contingent account use is limited by prohibited uses described above):
- a. For payments of less than \$300.00.

Divisions: Use is restricted to travel reimbursements, prepayments on purchase order requests, utility payments and direct payments for items such as postage and subscriptions which are normally prepaid.

Institutions: Use is restricted only as specified under the heading, "Prohibited Use of Contingent Accounts."
 - b. For payments up to \$500 which, if not made through the contingent account, could not be made within the 30 day standard established for vendor payments, or other standards established by law or administrative rule.
 - c. For payments up to \$500 which, if made through the contingent account, would make it possible to take advantage of a fast payment discount.
 - d. Emergency payments up to \$500 may be approved verbally through Bureau of Fiscal Services. BFS will confirm in writing and the institution or division should file approval with contingent account records. Contact the Assistant Director of the Bureau of Fiscal Services for approval.
3. **Amount and Replenishment of Contingent Account.** Contingent accounts may be established of sufficient size to allow all payments to be made within the payment categories established within this policy. Contingent accounts are to be adjusted for, and in anticipation of, seasonal or program fluctuations. All accounts are to be vouchered for replenishment in sufficient frequency to maintain the necessary cash balance. All accounts are to be vouchered for replenishment at least monthly and at year end. Separate vouchers must be prepared for each fiscal year to insure that expenditures are charged to the proper fiscal year.
4. **Contingent Account Procedures.** For each contingent account established, the respective division or institution shall designate a contingent account manager who shall be responsible for administering the fund in accordance with sound business practices and the written contingent account guidelines.

- a. Records should be maintained such that the summation of the checkbook balance, sub-level petty cash funds, and unreimbursed invoices will equal the total authorized dollar amount of the contingent account. All contingent account records shall be kept for six years.
- b. Contingent account disbursements shall be subject to the existing division/institution preaudit procedures to insure accountability is maintained for all funds including the sub-level petty cash accounts. Checks shall be prenumbered.
- c. All transactions reimbursed by the contingent account must be supported by original vendor invoices, and the invoice must be attached to the reimbursement voucher.

Replenishment vouchers must be reviewed by agency preaudit unit, if delegated, and should be reviewed for compliance with dollar limits and types of payments. All replenishment vouchers should include original invoices to support disbursements.

- d. Voided checks which have been signed should have the signature cut off or obliterated before filing the check in numeric sequence.
- e. Outstanding checks should be cancelled after one year and the amount deposited in the original fund. If original payment was made from GPR funds, deposit should be made as an unappropriated receipt (Appn. 100, 200, 300, 400, 500, 600 or 800). If the original payment was made from a program revenue appropriation, it should be deposited as a receipt in that appropriation.
- f. Disbursement from the contingent account does not preclude conformance with required state procurement procedures or travel reimbursement guidelines.
- g. Any individual authorizing an illegal or inappropriate payment from a contingent account will be held personally liable to replenish the fund for the amount inappropriately paid.

BANKING GUIDELINES

BFS will work with the State Bureau of Financial Operations to coordinate banking decisions with the Depository Selection Board. All contingent accounts, except petty cash and change accounts, will be deposited in a separate account in a public depository approved by the Depository Selection Board. The Board will determine acceptable banks on a case-by-case basis. Any organization requesting approval for contingent accounts to be deposited in a bank other than the state working bank must provide sufficient

justification. Existing bank relations are assumed to be already approved. These requests should be filed with the Assistant Director, Bureau of Fiscal Services.

PETTY CASH AND CHANGE ACCOUNTS

These accounts must be requested through the BFS who in turn will secure approval from DOA. Specific requirements include:

1. The petty cash and change accounts are established from the contingent account, and clearly established on the entity's account records.
2. Use of petty cash accounts and change accounts must be specifically approved.
3. Cash on hand only. Maximum of \$350 for petty cash and \$500 for change accounts per location, unless otherwise authorized.
4. Individual disbursement limit of \$25 for miscellaneous supplies and expenses. All disbursements must be properly documented so that receipts plus cash on hand are equal to the authorized petty cash account.
5. The voucher to replenish the petty cash or change account must be approved in the same manner that all other payments are approved.
6. Cash and receipts will be adequately safeguarded (locked box, drawers, file, vault).
7. Unannounced audits will be conducted periodically by the manager of the contingent account.

PROCEDURES FOR ORIGINAL APPROVAL AND INCREASES TO CONTINGENT ACCOUNTS

1. A letter from the Management Director shall be sent to the Bureau of Fiscal Services, attention Assistant Director, requesting the account to be established or changed.

Data required from division or institution

- a. Reason or purpose for establishing or increasing the account.
- b. Amount of contingent account requested.
- c. Types of disbursement and maximum payment amounts from the account.
- d. Internal control and procedures to be used. Written procedures for contingent account processing shall be available for inspection. Include names of the following individuals:
 - Authorized custodian of the account.
 - Individuals authorized to sign checks.
 - Name of individual who is responsible to reconcile or review the reconciliation of the bank account.

- e. Anticipated locations of contingent accounts (including petty cash or change funds).
 - f. Justification for use of banks other than the state working bank.
 - g. Major seasonal fluctuations in disbursement activity.
 - h. The total amount of money the agency disburses over a five to eight day period for payments of the type and amount which would be eligible for payment from the proposed contingent account. This disbursement period should be on an average basis. Include method used to determine maximum amount of payment and seasonal fluctuations.
2. A copy of the depository resolutions will be returned after appropriate actions have been taken. This resolution is the authority to establish the contingent account with the designated bank.

MONITORING OF CONTINGENT ACCOUNT

BFS Responsibilities. The agency custodian will be responsible for initiating requests to the State Bureau of Financial Operations for increasing or decreasing the size of the contingent account to ensure efficiency and prevent large cash balances from being idle. The agency custodian shall submit annual reports to State Bureau of Financial Operations. The agency contingent fund custodian is responsible to review all contingent accounts on a quarterly basis to accomplish the following objectives:

- a. Account balances are used effectively.
- b. Account balances are appropriately reallocated from inactive (low turnover) to active (high turnover) accounts.
- c. Account balances are always positive.

Contingent Account Manager Responsibilities. To assist in the analysis function, each contingent account manager is to prepare a quarterly report, DMS-761, with the following data shown for each month in the respective quarter:

- a. Average bank balance
- b. Average checkbook balance
- c. Lowest checkbook balance
- d. Number of checks issued
- e. Total amount of disbursements
- f. Number of times the account was replenished.

Note: Data from monthly bank account statements may be used to approximate items a, d, e, and f.

Keep the original of the quarterly report at your location. Do not sign the original of the report at this time. Rather make a copy of the report, complete the quarterly report period designation, sign the certification, and submit the report to the Bureau of Fiscal Services. Each time a quarterly report is due, add the data for the last three months to the original.

When submitting the data for the last three months of the calendar year, record the data on the original, indicate the report period to be "annual," sign the certification, and submit to Bureau of Fiscal Services, Attention: Chief, General Accounting Section.

A copy of the report with original certification signature thereon is to be received by the Chief of the General Accounting Section by:

- April 20 for the quarter ending March 31
- July 20 for the quarter ending June 30
- October 20 for the quarter ending September 30, and
- January 20 for the previous quarter ending December 31.

REFERENCE

Wisconsin Statutes, sections 20.920, and 16.52 (7)

ATTACHMENT

DMS-761 Contingent Account Activity Report

CONTACT PERSON

Amy Korpady, Chief
General Accounting Section
(608) 266-2708

CONTINGENT ACCOUNT ACTIVITY REPORT

| Calendar Year | Account Number | | Organization | | | Report Date |
|---------------|----------------------|---------------------------|--------------------------|--------------------------|--------------------------------|--------------------------|
| Month | Average Bank Balance | Average Checkbook Balance | Lowest Checkbook Balance | Number of Checks Written | Dollar Amount of Disbursements | Number of Replenishments |
| JANUARY | | | | | | |
| FEBRUARY | | | | | | |
| MARCH | | | | | | |
| APRIL | | | | | | |
| MAY | | | | | | |
| JUNE | | | | | | |
| JULY | | | | | | |
| AUGUST | | | | | | |
| SEPTEMBER | | | | | | |
| OCTOBER | | | | | | |
| NOVEMBER | | | | | | |
| DECEMBER | | | | | | |

| | | | |
|---|--------------------------------|----------|-------------|
| CERTIFICATION Monthly bank statements have been reconciled. Checkbook balances plus unreimbursed invoices equal authorized contingent fund level. | Certified By: Signature | Position | Date Signed |
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